

**INVESTMENT ADVISER BROCHURE**

**CHS CAPITAL LLC**

**CHS Capital LLC  
10 South Wacker Drive, Suite 3175  
Chicago, IL 60606  
(312) 876-1840  
<http://www.chsonline.com>**

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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of CHS Capital LLC and its affiliates (“CHS Capital”). If you have any questions about the contents of this Brochure, please contact us at (312) 876-1840. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

CHS Capital is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

Additional information regarding CHS Capital is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## MATERIAL CHANGES

CHS Capital filed its initial Form ADV Part 2 in February 2012 in connection with its registration, and updating amendments in March 2012 and February 2013. This annual amendment updates the description of CHS Capital's advisory business to reflect the launch of three affiliated investment advisers, and to provide updates relating to the completed investment period for several CHS Funds.

## ADVISORY BUSINESS

CHS Capital is a private investment management firm, including registered investment advisory entities and other organizations affiliated with CHS Capital LLC (collectively, "**CHS Capital**"), that manages approximately \$1.28 billion in private fund assets. CHS Capital, formerly known as Code, Hennessy and Simmons LLC, commenced operations in 1988.

CHS Capital LLC, a Delaware limited liability company, is a private equity management company and a registered investment adviser. CHS Capital LLC is the general partner of the following affiliated investment advisers, each a Delaware limited partnership (the "**General Partners**," and together with CHS Capital, the "**Advisers**");

- CHS Management III LP (the "**Fund III GP**");
- CHS Management IV LP (the "**Fund IV GP**"); and
- CHS Management V LP (the "**Fund V GP**").

In its capacity as the general partner of the General Partners, CHS Capital has the authority to manage the business and affairs of the General Partners and, through the General Partners, the CHS Funds. References in this Brochure to the advisory services of "CHS Capital" mean advisory services of CHS Capital LLC as provided through the General Partners and certain "Affiliated Advisers," as defined herein.

Each General Partner and Affiliated Adviser is deemed registered under the Advisers Act pursuant to CHS Capital's registration in accordance with SEC guidance. This Brochure also describes the business practices of each General Partner, which operate as a single advisory business together with CHS Capital.

The Advisers' clients include the following private equity funds organized as Delaware limited partnerships (together with any parallel and alternative investment vehicles or future private investment funds managed by CHS Capital's affiliates, the "**CHS Funds**");

- Code Hennessy & Simmons III LP ("**Fund III**")
- Code Hennessy & Simmons IV LP ("**Fund IV**"); and
- CHS Private Equity V LP ("**Fund V**")

CHS Capital LLC is also the managing partner of each of CHS Associates IV and CHS Associates V (together, the “**Co-Invest Funds**”), Delaware partnerships formed principally to operate as parallel funds to Fund IV and Fund V, respectively, in order to facilitate co-investments by current and former CHS Capital professionals in CHS Fund portfolio companies.

The CHS Funds are private equity funds that invest primarily through negotiated transactions in operating entities. The General Partners each serve as general partner and manager to the relevant CHS Fund and have the contractual authority under the respective partnership agreements of such CHS Fund (each, a “**Partnership Agreement**”) to make investment decisions for, and to provide day-to-day advisory services to, such CHS Fund. CHS Capital’s investment advisory services to the CHS Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are also permitted. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of CHS Capital or its affiliates serve on portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies held by the CHS Funds.

CHS Capital’s advisory services to the CHS Funds are detailed in the applicable private placement memoranda and Partnership Agreements of the CHS Funds, and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the CHS Funds participate in the overall investment program for the applicable CHS Fund.

Three advisory affiliates of CHS Capital are in the process of raising their own managed private funds: Hennessy Capital LLC; New Harbor Capital LLC; and Shorehill Capital LLC (together, the “**Affiliated Advisers**”). Although the Affiliated Advisers share personnel, offices and administrative resources with CHS Capital, as well as a common compliance program, the Affiliated Advisers manage their investments independently.

CHS Capital is ultimately controlled by a management committee currently comprised of Thomas J. Formolo, David O. Hawkins and Brian P. Simmons (the “**Management Committee**”). The members of the Management Committee are responsible for guiding the overall activities of CHS Capital, as well as, for each respective Management Committee member, the Affiliated Adviser with which such Management Committee member is affiliated.

## **FEES AND COMPENSATION**

In general, the General Partners receive a Management Fee (as defined below) and a carried interest in connection with advisory services. The General Partners or other CHS Capital entities or affiliates receive additional compensation, including transactional consulting compensation, in connection with management and other services performed for portfolio companies of CHS Funds and all or a portion of such additional compensation will offset in part the management fees otherwise payable to the applicable General Partner. Investors in the CHS Funds also bear certain fund expenses.

### **Management Fees**

The CHS Funds each have paid their respective General Partners a management fee (the “**Management Fee**”) in an amount set forth in the respective Partnership Agreement. Fund III and Fund IV, as well as the Co-Invest Funds, currently do not pay a management fee. Fund V pays the Fund V GP a Management Fee equal to the lesser of (a) 1.25% (on an annual basis) of Fund V’s invested capital or (b) 1.50% (on an annual basis) of fair value.

The Fund V Management Fee has been reduced following the occurrence of specified events described in the Fund V Partnership Agreement. As further described in the Partnership Agreements, the Management Fee for each CHS Fund generally has been, and will be, reduced by a portion of the directors’ fees, monitoring fees, closing fees and other fees or other compensation received by a General Partner or its affiliate acting, directly or indirectly, on behalf of the applicable CHS Fund from the portfolio companies in which such CHS Fund invests. Such Management Fee will be further reduced by breakup fees and other costs received by the Advisers from transactions not consummated by the relevant CHS Fund (in each case, net of any amount necessary to reimburse the CHS Fund, the General Partner or its affiliates for all costs and expenses incurred by them in connection with all consummated or unconsummated transactions or in connection with generating any such fees and not previously reimbursed), but not including any amount received by the General Partner or its affiliate from portfolio companies as reimbursement for out-of-pocket expenses directly related to such portfolio companies (collectively, “**Breakup Fees**”).

As permitted under the CHS Funds’ Partnership Agreements, the Management Fee that would otherwise be paid in a given year may be waived or reduced when certain circumstances are met, and any waived or reduced portion of such Management Fee reduces the amount of capital contributions the relevant General Partner would otherwise be required to contribute to such CHS Fund. The limited partners of a CHS Fund may be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of the relevant General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration of investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above. Due to waived or reduced Management Fees by the relevant General Partner and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will not be fully realized by investors in the relevant CHS Fund, resulting in a net additional benefit to the relevant General Partner.

In accordance with each CHS Fund’s Partnership Agreement, the Management Fee will be payable until all portfolio investments are distributed or until the General Partner’s relationship with the applicable CHS Fund is terminated for other reasons. Each Partnership Agreement permits the General Partner to exercise broad discretion with respect to the timing of portfolio investment distribution in order to seek higher values for the relevant investment; however, such discretion is subject to certain consents, including investor consents, set forth in each CHS Fund’s Partnership Agreement.

Future CHS Funds managed by the Affiliated Advisers are expected to have a similar fee structure.

## **Carried Interest**

Each General Partner will receive a carried interest with respect to the applicable CHS Fund equal to 20% of all realized profits in excess of a preferred return of 9% in the case of Fund III and Fund IV, and 8% in the case of Fund V, as more fully described in the Partnership Agreements. The Co-Invest Funds are not subject to carried interest. Carried interest distributed to a General Partner is subject to a potential giveback at the end of life of the applicable CHS Fund if CHS Capital has received excess cumulative distributions.

Future CHS Funds managed by the Affiliated Advisers are expected to have a similar carried interest structure.

## **Other Information**

The General Partners may exempt certain investors in the CHS Funds from payment of all or a portion of Management Fees and/or carried interest, including investors affiliated with CHS Capital, and do not themselves pay Management Fees. Any such exemption from Management Fees and/or carried interest may be made by a direct exemption, a rebate by the applicable General Partner and/or its affiliates, or through other CHS Funds which co-invest with the applicable CHS Fund. Similarly, the General Partners generally exempt the Co-Invest Funds from paying Breakup Fees.

The CHS Funds invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Partnership Agreement, over the term of a CHS Fund and investors generally are not permitted to withdraw or redeem interests in a CHS Fund.

Principals or other employees of CHS Capital may receive a portion of the Management Fee, carried interest or other compensation received by a General Partner or its affiliates.

In addition to the Management Fee and carried interest payable to the applicable General Partner, each CHS Fund generally bears certain expenses. As set forth in the relevant Partnership Agreement, each CHS Fund generally bears all costs and expenses relating to the CHS Fund's activities, investments and business (to the extent not borne or reimbursed by a portfolio company) up to an amount specified in the relevant Partnership Agreement, including: (i) all costs and expenses attributable to acquiring, holding and disposing of the CHS Fund's investments; (ii) legal, accounting, tax, insurance, auditing and other fees and expenses; (iii) expenses of the limited partner or advisory committee (the "**Committee**") appointed to represent the CHS Fund's limited partners; (iv) all out-of-pocket fees and expenses incurred by the CHS Fund, the relevant General Partner, the relevant General Partner's partners and their respective officers and employees relating to any investment opportunity or disposition opportunity for the CHS Fund not consummated; (v) extraordinary expenses of the CHS Fund; and (vi) other similar fees and expenses, but not including ordinary overhead and administrative expenses (including salaries and bonuses, rent, travel unrelated to investment opportunities, entertainment and equipment expenses) of the CHS Fund or its General Partner.

Additionally, the indemnification terms of the Partnership Agreements require each Fund to broadly indemnify its General Partner, CHS Capital, and its employees and affiliates thereof

for certain expenses incurred by the General Partner, CHS Capital, and its employees and affiliates. Historically, these indemnification payments have been for legal defense costs and costs related to the indemnification of service providers who have performed services on behalf of the Fund. The costs of these indemnification payments are charged to the respective Fund and may be significant. The Co-invest Funds typically are not subject to such indemnification requirements and related costs.

At times, service providers may perform services pertaining to multiple CHS Funds or related entities. In such instances, CHS Capital will allocate the total expense to multiple entities, including a CHS Fund, using what it believes to be a fair and equitable allocation methodology. Brokerage fees may be incurred in accordance with the practices set forth in “Brokerage Practices.” The General Partners generally exempt the Co-Invest Funds from paying such fees and expenses.

The Affiliated Advisers each bear their own out-of-pocket expenses. CHS Capital employees also provide services to Affiliated Advisers, but receive no separate compensation from the Affiliated Advisers. If a CHS employee incurs out-of-pocket expenses on behalf of an Affiliated Adviser, the CHS employee will be reimbursed by the Affiliated Adviser. To the extent a CHS employee incurs expenses on behalf of CHS and an Affiliated Adviser during the same business trip or work period, CHS Capital will allocate such expenses using what it believes to be a fair and equitable allocation methodology.

As described more fully in the applicable private placement memorandum and/or Partnership Agreement of each CHS Fund, certain affiliates or personnel of CHS Capital may provide services to (or with respect to) certain portfolio companies in which such CHS Fund may invest. In connection with such services, such affiliates or personnel may receive transaction fees and other compensation from such portfolio companies or the relevant CHS Fund, and such portfolio companies may be required to reimburse CHS Capital for out-of-pocket expenses incurred by such affiliates or personnel. The amount of such transaction fees, other compensation and out-of-pocket expense reimbursements may be significant.

#### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described under “Fees and Compensation,” each General Partner receives a carried interest allocation on certain realized profits in the CHS Funds. CHS Capital also manages accounts that are not charged a performance-based fee. This practice could present a conflict of interest because CHS Capital has an incentive to favor accounts for which it receives a performance-based fee. CHS Capital addresses this potential conflict of interest by ensuring that The Co-Invest Funds, which are not charged performance-based fees, invest in parallel with Fund IV and Fund V (to the extent permitted by their respective governing agreements), respectively, in order to reduce CHS Capital’s potential incentive to make investments in Fund IV and Fund V that would generate performance-fees in such CHS Funds.

#### **TYPES OF CLIENTS**

CHS Capital provides investment advice to the CHS Funds, which may include investment partnerships or other investment entities formed under domestic or foreign laws and

operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in CHS Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of CHS Capital.

The CHS Funds generally have a minimum investment amount of at least \$10 million for third-party investors, and the CHS Funds' interests are offered and sold solely to qualified purchasers (or qualified knowledgeable CHS Capital personnel). Such minimum investment amount may be waived by the applicable General Partner or Affiliated Adviser.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **General**

CHS Capital is a private investment firm that targets control or minority equity investments in companies with enterprise values in the range of \$75 - \$500 million. CHS Capital partners with management teams to focus on accelerating growth, enhancing capabilities and resources and positioning companies for attractive exits.

The investment period for several CHS Funds (*i.e.*, Fund III, Fund IV, Fund V and the Co-Invest Funds) is complete; accordingly CHS Capital's activities on behalf of such CHS Funds with respect to the execution of new investments are currently limited to identifying and advising regarding follow-on investments related to such CHS Funds' existing investment portfolios. Descriptions of such activities herein should be read to refer to: (a) CHS Capital's activities undertaken during each relevant investment period; (b) to the extent applicable, activities with respect to such follow-on investments; and/or (c) activities undertaken by the Affiliated Advisers on behalf of the private funds that are in the process of being formed by them.

CHS Capital's investment strategy for the CHS Funds typically is to originate and complete equity investments in well-managed companies where CHS Capital can apply its industry-specific experience, extensive resources and transformational investment management plans to accelerate earnings growth. CHS Capital seeks to identify companies with the following characteristics:

- Multiple avenues for growth – organically and through acquisitions
- Positive industry and market outlook
- Strong potential for continued profitability
- Excellent management teams
- Opportunities to add value through active investment management

Prior to completing an investment, CHS Capital typically develops a detailed investment management plan intended to strengthen management teams, identify and complete add-on



acquisitions, improve expense and balance sheet management and institute an active investment monitoring program. CHS Capital believes this process results in accelerated earnings growth and reduced leverage leading to numerous exit alternatives and attractive exit valuations.

There can be no assurance that CHS Capital or any General Partner will achieve the investment objectives of the applicable CHS Fund and a loss of investment may be possible.

## **Investment and Operating Strategy**

Each CHS Fund seeks a superior rate of return, relative to more conventional investment alternatives, through investing in equity and debt securities of portfolio companies which meet the CHS Fund's investment criteria and by making such other investments as may be deemed appropriate by the applicable General Partner.

*Focused Investment Origination.* CHS Capital sources new investment opportunities primarily through the activities of its dedicated CHS Capital personnel and other professionals with significant investing experience. CHS Capital employs a proactive approach to investment origination that is designed to balance focused efforts with broad market coverage. CHS Capital employs proprietary industry research, manages relationships with key industry contacts and intermediaries and work directly with targeted companies. This approach allows CHS Capital to manage a variety of targeted investment origination efforts in each of these industry sectors. Quantitative and qualitative information is available firm-wide through proprietary databases and reports. These tactics typically result in the identification and review of numerous potential portfolio company investment opportunities each year. Many of these opportunities are sourced outside of a broad auction process. The vast majority of add-on acquisitions completed by CHS Capital have been sourced on a proprietary basis as well.

*Targeted Due Diligence.* CHS Capital has developed a comprehensive due diligence and approval process that combines its 25 years of experience with industry-specific third party resources. Prior to investment, CHS Capital seeks to confirm a target company's fit with established focus areas and CHS Capital experience. In addition, macro-economic and competitive trends are assessed to ensure a business environment consistent with the goals of the CHS Capital investment management plan and expected return on investment. Numerous CHS Capital investment professionals (collectively, the "**Investment Team**") are involved in the consideration of each investment. Before an investment is made, CHS Capital typically conducts extensive industry and competitor analysis, as well as customer, supplier and management reference checks. Frequently, an accounting firm is retained to validate historical financial results, to help evaluate various business trends and to assess management information systems and financial controls. In addition, CHS Capital often retains experts to assist in market and competitive analysis, in-depth organizational and management reviews, environmental matters, tax planning, insurance and legal review. CHS Capital personnel and other executives with relevant industry backgrounds, along with senior executives from current and prior CHS Fund portfolio companies, are frequently involved in the due diligence process. Oftentimes, the proprietary information and insights developed by CHS Capital allow nuanced assessment of critical issues effecting investment performance. In addition, this knowledge base can be an important component in the design and implementation of a successful investment management plan.

*Pro-Active Investment Management.* Prior to making an investment, CHS Capital typically establishes defined investment management objectives for each portfolio company to create value in the following three ways: (i) accelerate earnings growth; (ii) repay acquisition debt; and (iii) position companies for attractive exits at expanded valuation multiples. CHS Capital intends to exert influence as required to achieve the specific objectives of each Portfolio Company's investment management plan. CHS Capital believes that value creation results from a focused approach to investment management applied on a consistent basis and has developed a structured investment management process designed to encourage early identification of opportunities and problems. In developing investment management goals, strategies and tactics, CHS Capital frequently relies upon the substantial information developed internally during due diligence. Typically, CHS Capital incorporates proprietary analysis and other information from third parties. Input from CHS Capital personnel, current and prospective portfolio company directors, consultants and other experts is sought regularly. CHS Capital believes this body of knowledge fosters thoughtful dialogue with management teams and a productive working relationship as different investment management strategies are evaluated, priorities developed and plans implemented.

## **Risks of Investment**

The CHS Funds and their investors bear the risk of loss that CHS Capital's investment strategy entails, as further set forth in the relevant CHS Fund's private placement memorandum. The risks involved with CHS Capital's investment strategy and an investment in the CHS Funds include, but are not limited to:

*Business Risks.* A CHS Fund's investment portfolio consists primarily of securities issued by privately-held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

*Future and Past Performance.* The performance of CHS Capital's prior investments is not necessarily indicative of a CHS Fund's future results. While each General Partner intends for the applicable CHS Fund to make investments that have returns commensurate with the risks undertaken, there can be no assurances that any such performance will be achieved. On any given investment, loss of principal is possible.

*Investment in Junior Securities.* The securities in which a CHS Fund invests may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect a CHS Fund's investment once made.

*Concentration of Investments.* A CHS Fund typically participates in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the CHS Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or such industry generally may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, a CHS Fund may invest in fewer portfolio companies and thus be less diversified.

*Lack of Sufficient Investment Opportunities.* The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a CHS Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, limited partners are typically required to pay annual Management Fees based on the entire amount of their Commitments.

*Leveraged Investments.* A CHS Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in such portfolio company. Leverage generally magnifies both the CHS Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. See also "Uncertain Economic and Political Environment" below. During times when credit markets are tight, it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a CHS Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the CHS Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, a CHS Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the CHS Fund. Furthermore, should the credit markets be tight at the time a CHS Fund determines that it is desirable to sell all or a part of a portfolio company, the CHS Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a CHS Fund invests generally will not be rated by a credit rating agency.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for a substantial number of a CHS Fund's investments, and hence, most of the CHS Fund's investments will be difficult to value. Certain investments may be distributed in kind to the partners of the CHS Fund.

*Reliance on the General Partner and Portfolio Company Management.* Control over the operation of a CHS Fund is typically vested entirely with the applicable General Partner, and the CHS Fund's profitability depends largely upon the business and investment acumen of the principals of the General Partner. The loss or reduction of service of one or more of the principals could have an adverse impact on the CHS Fund's ability to realize its investment objectives. Limited partners generally have no right or power to take part in the management of a CHS Fund, and as a result, the investment performance of the CHS Fund will depend entirely on the actions of the relevant General Partner. Although each General Partner will monitor the performance of its relevant CHS Fund's investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although each CHS Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management of such companies will be able or willing to successfully operate a company in accordance with the CHS Fund's objectives.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a CHS Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the CHS Fund will make follow-on investments or that the CHS Fund will have sufficient funds to make all or any of such investments. Any decision by the CHS Fund not to make follow-on investments or its inability to make such investments may have a substantial negative impact on a portfolio company in need of such an investment. Additionally, such failure to make such investments may result in a lost opportunity for the CHS Fund to increase its participation in a successful portfolio company or the dilution of the CHS Fund's ownership in a portfolio company if a third party invests in such portfolio company.

*Non-U.S. Investments.* A CHS Fund may invest in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories and possession. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of a CHS Fund), the application of complex U.S. and foreign tax rules to cross border investments, possible imposition of foreign taxes on the CHS Fund and/or the its partners with respect to the CHS Fund's income, and possible foreign tax return filing requirements for the CHS Fund and/or its partners.

Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

*Public Company Holdings.* A CHS Fund's investment portfolio may contain securities issued by publicly-held companies. Such investments may subject the CHS Fund to risks that differ in type or degree from those involved with investments in privately-held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the CHS Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including the relevant General Partner's principals, and increased costs associated with each of the aforementioned risks.

*Director Liability.* A CHS Fund often obtains the right to appoint one or more representatives to the boards of directors of the portfolio companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes the CHS Fund's representatives, and ultimately the CHS Fund, to potential liability. Although portfolio companies often have insurance to protect directors and officers from such liability, such insurance may not be obtained by all portfolio companies and may be insufficient if obtained.

*Uncertain Economic and Political Environment.* The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate, and financial confidence to weaken,

increasing the risk of a “self reinforcing” economic downturn. The availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, continues to be restricted. This may have an adverse effect on the economy generally and on the ability of a CHS Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty may reduce the availability of potential investment opportunities and increases the difficulty of modeling market conditions, potentially reducing the accuracy of the financial projections. Furthermore, such uncertainty may have an adverse effect upon the portfolio companies in which a CHS Fund makes investments.

*Market Conditions.* A CHS Fund’s performance can be affected by deterioration in public markets and by market events, such as the onset of the credit crisis in the summer of 2007, which can impact the public market comparable earnings multiples used to value privately held portfolio companies. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and a CHS Fund’s performance. Following the onset of the 2007 credit crisis, the rate of future investment by funds slowed as the pricing of new transactions adjusted to reflect the economic uncertainty and the lack of credit in the markets. Holding periods of investments are also likely to be longer in times when market conditions for initial public offerings and mergers and acquisitions activity are less favorable. The value of publicly traded securities may be volatile and difficult to sell as a block, even following a realization through listing. The impact of a credit crisis may also affect a CHS Fund’s ability to raise funding to support its investment objective and also the level of profitability achieved on realizations of investments.

*Deterioration of Credit Markets may Affect Ability to Finance and Consummate Investments.* Deterioration of the global credit markets may make it more difficult for investment funds such as the CHS Funds to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates after the 2007 credit crisis, dramatically reduced investor demand for high yield debt and senior bank debt, which in turn led some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. A CHS Fund’s ability to generate attractive investment returns may be adversely affected to the extent the CHS Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events recur and/or are not temporary, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of a CHS Fund to realize its investments at favorable times or for favorable prices.

## **Conflicts of Interest**

As described above, the investment period for several CHS Funds is complete, and CHS Capital’s advisory services generally are directed toward identifying follow-on investments for such CHS Funds, while the Affiliated Advisers are in the process of raising their own managed private funds. The Investment Team and the applicable General Partner’s investment staff will continue to manage and monitor existing CHS Funds and investments. This situation subjects CHS Capital to potential conflicts of interest in that the Investment Team may direct certain

relevant investment opportunities to certain CHS Funds, including CHS Funds managed by Affiliated Advisers, but not others. Additionally, such CHS Funds and investments that the Investment Team may control may potentially compete with a CHS Fund or portfolio companies acquired by the CHS Fund.

In determining which CHS Funds should participate in such investment opportunities, CHS Capital is subject to conflicts of interest among the investors in such investment vehicles. CHS Capital attempts to resolve such conflicts of interest in light of its obligations to investors in the various CHS Funds and the obligations owed by CHS Capital's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among the various CHS Funds in a fair and equitable manner. Certain investments may be allocated between a CHS Fund and any successor or predecessor fund in a manner as set forth in the applicable Partnership Agreement. Subject to such Partnership Agreement requirements, for each relevant investment opportunity, priority is given to consideration of such opportunity as a follow-on investment for an existing CHS Fund. Thereafter, investment opportunities will be allocated among CHS Funds managed by Affiliated Advisers in accordance with each Affiliated Adviser's area of subject expertise. Where necessary, CHS Capital will consult and receive consent to conflicts from the relevant CHS Fund or Committee.

CHS Capital employees are further subject to potential conflicts of interest in that they provide services to Affiliated Advisers, but receive salaries from CHS Capital and receive no separate compensation from the Affiliated Advisers. CHS manages these potential conflicts by ensuring that such salaries (and other related overhead expenses) are not paid by the CHS Funds.

CHS Capital believes that the significant investment the Investment Team typically maintains in a CHS Fund, as well as the Investment Team's interest in the carried interest, operate to align, to some extent, the interest of the Investment Team with the interest of the partners of each relevant CHS Fund. However, because a General Partner's carried interest is based on a percentage of net realized profits, it may create an incentive for the General Partner to cause the applicable CHS Fund to make riskier or more speculative investments than would otherwise be the case.

#### **DISCIPLINARY INFORMATION**

CHS Capital and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

CHS Capital is affiliated with the General Partners and the Affiliated Advisers, which are investment advisers deemed registered with the SEC under the Advisers Act pursuant to CHS Capital's registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business together with CHS Capital and serve as managers or general partners of private investment funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

CHS Capital has adopted the CHS Code of Ethics and Securities Trading Policy and Procedures (the “**Code**”), which sets forth standards of conduct that are expected of CHS principals and employees and addresses conflicts that arise from personal trading. The Code requires certain CHS personnel to report their personal securities transactions, prohibits or requires pre-clearance for CHS personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits CHS personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the CHS Chief Compliance Officer. A copy of the Code will be provided to any investor or prospective investor upon request to Michael Keesey, the CHS Chief Compliance Officer, at (312) 876-1275. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments.

CHS Capital and its affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security, including information received in such affiliated persons’ capacities as consultants, advisors or directors of non-CHS Capital businesses, including certain family offices. Under applicable law, CHS Capital and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of CHS Capital.

Accordingly, should CHS Capital or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, CHS Capital would be prohibited from communicating such information to clients, and CHS Capital will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of CHS personnel serving as directors of public companies and may restrict trading on behalf of clients, including the CHS Funds.

Principals and employees of CHS Capital may directly or indirectly own an interest in CHS Funds or portfolio companies, whether directly or through certain co-investment vehicles. Participation in the co-invest program is limited to persons with such knowledge and experience in financial and business matters necessary to make them capable of evaluating the merits and risks of the prospective investment. The eligibility of any person to participate in the co-invest program, as well as the amount such person is permitted to invest, will be determined in the sole discretion of the Management Committee. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the CHS Funds. If CHS Capital receives multiple classes of securities in a transaction (for example, subordinated debt and common equity), the co-investors’ investments shall invest side-by-side with CHS Capital’s investment, and investment opportunities shall be allocated *pro rata* between CHS Capital and the co-investors. From time to time, CHS Funds will sell portfolio companies in an initial public offering. In such event, investors in CHS Funds generally will receive via distribution of cash proceeds their proportionate share of profits and losses from such sales. However, in certain

circumstances, CHS Capital will permit its principals and employees to elect to receive their proportionate share of such profits and losses in cash or in kind, in order to elect to receive initial public offering profits and losses on a different time frame than that deemed by CHS Capital to be appropriate for the relevant CHS Fund.

CHS Funds may invest together with other CHS Funds advised by an affiliated adviser of CHS Capital in the manner set forth in the applicable Partnership Agreement. The Advisers' policy is to allocate investment opportunities or advisory recommendations on a fair and equitable basis, consistent with their fiduciary obligations and the underlying documents for each CHS Fund.

CHS Capital and its principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in the CHS Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the CHS Funds, even though their investment objectives may be the same or similar, and may receive nominal fees in connection with such investment activities. The operative documents and investment programs of certain vehicles sponsored by CHS (the "**Reference Funds**") may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Reference Funds or may give priority with respect to investments to such Reference Funds. Some of these restrictions could be waived by investors (or their representatives) in such Reference Funds.

#### **BROKERAGE PRACTICES**

CHS Capital focuses on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, CHS Capital may also distribute securities to investors in the CHS Funds or sell such securities, including through using a broker-dealer, if a public trading market exists. Although CHS Capital does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If CHS Capital sells publicly traded securities for the CHS Funds, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by CHS Capital. In such event, CHS Capital will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, CHS Capital may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

CHS Capital has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although CHS Capital generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the



part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with CHS Capital seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them. Under such “soft dollar” arrangements, securities transactions are executed through a broker-dealer that charges more than the lowest available commission rate in exchange for the provision of brokerage and research services, which may include: (i) furnishing advice as to the value of securities and the advisability of investing, purchasing or selling securities; (ii) furnishing analysis and reports concerning issuers, securities and performance of accounts; or (iii) effecting securities transactions and performing functions incidental to such transactions, such as clearance, settlement and custody. CHS Capital may enter into “soft dollar” arrangements only where it reasonably believes that the services benefit the relevant CHS Fund, and that the amount of commission is reasonable in relation to the value of the brokerage and research services provided.

CHS Capital currently does not engage in soft dollar transactions, but may engage in soft dollar transactions in the future in accordance with the limitations of Section 28(e) of the Securities Exchange Act of 1934, as amended.

CHS Capital does not anticipate engaging in significant public securities transactions; however, to the extent that CHS Capital engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for CHS Funds are completed independently, CHS Capital may also purchase or sell the same securities or instruments for several CHS Funds simultaneously. From time to time, CHS Capital may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating CHS Fund of CHS Capital is favored over any other CHS Fund. When an aggregated order is filled in its entirety, each participating CHS Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each CHS Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such CHS Funds.

Each CHS Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to CHS Funds over time.

In CHS Capital’s private company securities transactions on behalf of the CHS Funds, CHS Capital may retain one or more broker-dealers or investment banks, the costs of which will be borne by the CHS Funds or one of their portfolio companies. In doing so, CHS Capital may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although CHS

Capital generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and a CHS Fund may not necessarily pay the lowest commission or fee for such services.

### **REVIEW OF ACCOUNTS**

The investments made by the CHS Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, CHS Capital closely monitors companies in which the CHS Funds invest, and the CHS Chief Compliance Officer periodically checks to confirm that each CHS Fund is maintained in accordance with its stated objectives.

Each CHS Fund will make available to each limited partner (i) annual audited GAAP financial statements for the CHS Fund (including a statement of the limited partner's closing capital account balance) showing the fair value of the Fund's investments, (ii) unaudited quarterly financial reports showing the relevant limited partner's capital account balance and the fair value of such limited partner's interest in the relevant CHS Fund and (iii) annual tax information.

### **CLIENT REFERRALS AND OTHER COMPENSATION**

CHS Capital and/or its affiliates may provide certain business or consulting services to companies in a CHS Fund's portfolio and may receive compensation from these companies in connection with such services. As described in the applicable Partnership Agreement, a portion of this compensation may, in many cases, offset a portion of the Management Fees paid by a CHS Fund. However, in other cases (*e.g.*, reimbursements for out-of-pocket expenses directly related to a portfolio company), these fees may be in addition to Management Fees. See "Fees and Compensation."

From time to time, CHS Capital or an Affiliated Adviser may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a CHS Fund. Any fees and expenses payable to any such placement agents generally will be borne by CHS Capital or such Affiliated Adviser indirectly through an offset against the Management Fee.

### **CUSTODY**

CHS Capital maintains custody of the assets held in each CHS Fund's name with the following qualified custodians: Merrill Lynch, Venture Services Group, 600 California Street, 8th Floor, San Francisco, CA 94108; and JP Morgan Chase Bank, N.A., 10 S. Dearborn Street, Chicago, IL 60603.

### **INVESTMENT DISCRETION**

The General Partners and Affiliated Advisers have discretionary authority to manage investments on behalf of the CHS Funds. As a general policy, neither the General Partners nor the Affiliated Advisers allow clients to place limitations on this authority. Pursuant to the terms of the applicable Partnership Agreement, however, a General Partner or Affiliated Adviser may

enter into “side letter” arrangements with certain limited partners whereby the terms applicable to such limited partner’s investment in the CHS Funds may be altered or varied, including, in some cases, the right to opt out of certain investments for legal, tax, regulatory or other similar reasons. Each General Partner and/or Affiliated Adviser assumes this discretionary authority pursuant to the terms of the applicable Partnership Agreement and powers of attorney executed by the limited partners of the CHS Funds.

### **VOTING CLIENT SECURITIES**

CHS Capital has adopted the CHS Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how it will vote proxies, as applicable, for the CHS Funds’ portfolio investments. The Proxy Policy seeks to ensure that CHS Capital votes proxies (or similar instruments) in the best interest of the CHS Funds, including where there may be material conflicts of interest in voting proxies. CHS Capital generally believes its interests are aligned with those of the CHS Funds’ investors through the principals’ beneficial ownership interests in the CHS Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that CHS Capital may address the conflict using several alternatives, including by seeking the approval or concurrence of a CHS Fund’s Investment Committee, on the proposed proxy vote, or through other alternatives set forth in the Proxy Policy. Additionally, a CHS Fund’s Investment Committee may approve CHS Capital’s vote in a particular solicitation. CHS Capital does not consider service on portfolio company boards by CHS Capital personnel or CHS Capital’s receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by CHS Capital when voting proxies on behalf of the CHS Funds. If you would like a copy of the CHS Capital’s complete Proxy Policy or information regarding how CHS Capital voted proxies for particular portfolio companies, please contact Michael Keesey, the CHS Capital Chief Compliance Officer, at (312) 876-1275, and it will be provided to you at no charge.

### **FINANCIAL INFORMATION**

CHS Capital does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.

**FORM ADV PART 2B  
INVESTMENT ADVISER BROCHURE SUPPLEMENT**

**CHS CAPITAL LLC**

**CHS Capital LLC  
10 South Wacker Drive, Suite 3175  
Chicago, IL 60606  
(312) 876-1840  
<http://www.chsonline.com>**

**March 2013**

Capitalized terms used but not defined in this Brochure Supplement have the meanings ascribed to them in the Investment Adviser Brochure of CHS Capital LLC and its affiliates (“**CHS Capital**”). This Brochure Supplement provides information regarding investment personnel acting on behalf of Sun Capital Advisors.

If you have any questions about the supplemental information contained in this section, please contact Michael Keesey, the CHS Capital Chief Compliance Officer, at (312) 876-1275. All investment personnel mentioned in this Brochure Supplement can be reached at the address and phone number provided at the beginning of this Brochure.

**Thomas J. Formolo**

*Educational Background and Business Experience*

Mr. Formolo, born April 2, 1964 joined CHS Capital in 1990 and was promoted to Partner in 1997. He holds a B.B.A. from the University of Wisconsin and an M.B.A. from Northwestern University. Mr. Formolo serves on the Board of Directors of American Reprographics Company (NYSE: ARC); WASH Multifamily Laundry Systems, LLC; and Royall Holdings LLC. Mr. Formolo serves on the board of New Schools for Chicago, the Board of Directors of Chicago Fellowship, is a member of the Board of Trustees of National Louis University, and is on the Dean’s Advisory Board at the University of Wisconsin School of Business.

*Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Formolo.

*Other Business Activities*

Mr. Formolo is not engaged in any investment-related business outside of his roles with CHS Capital and its Affiliated Adviser New Harbor Capital LLC.

### *Additional Compensation*

Mr. Formolo does not receive any additional compensation that is required to be disclosed.

### *Supervision*

As an Investment Team Leader, Mr. Formolo is part of a team that is responsible for implementing and overseeing the investment strategy of the CHS Funds. Mr. Formolo is also a member of the Management Committee. While Mr. Formolo is not directly supervised by any one individual, the Management Committee is responsible for guiding the overall activities of CHS Capital, including the supervision of investment professionals such as Mr. Formolo.

## **David O. Hawkins**

### *Educational Background and Business Experience*

Mr. Hawkins, born January 12, 1965, joined CHS Capital in 1995 and after holding numerous positions at the firm, was promoted to Partner in 2003. He holds a B.S. from Indiana University and an M.B.A. from Northwestern University. Mr. Hawkins serves on the Board of Directors of KHC Holdings, Inc.; TricorBraun Holdings, Inc.; and MSC Waterworks Holdings LLC.

### *Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Hawkins.

### *Other Business Activities*

Mr. Hawkins is not engaged in any investment-related business outside of his roles with CHS Capital and its Affiliated Adviser Shorehill Capital LLC.

### *Additional Compensation*

Mr. Hawkins does not receive any additional compensation that is required to be disclosed.

### *Supervision*

As an Investment Team Leader, Mr. Hawkins is part of a team that is responsible for implementing and overseeing the investment strategy of the CHS Funds. While Mr. Hawkins is not directly supervised by any one individual, the Management Committee is responsible for guiding the overall activities of CHS Capital, including the supervision of investment professionals such as Mr. Hawkins. Mr. Hawkins is a member of the Management Committee.

## **Daniel J. Hennessy**

### *Educational Background and Business Experience*

Mr. Hennessy, born December 14, 1957, was a founder of CHS Capital in 1988. He holds a B.A. from Boston College and an M.B.A. from the University of Michigan. Mr. Hennessy serves on the Board of Directors of Dura-Line Holdings Inc. Mr. Hennessy also serves as a Trustee of the John G. Shedd Aquarium and is a Director of the Children's Memorial Hospital and Foundation.

### *Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Hennessy.

### *Other Business Activities*

Mr. Hennessy is not engaged in any investment-related business outside of his roles with CHS Capital and its Affiliated Adviser Hennessy Capital LLC.

### *Additional Compensation*

Mr. Hennessy does not receive any additional compensation that is required to be disclosed.

### *Supervision*

As an Investment Team Leader, Mr. Hennessy is part of a team that is responsible for implementing and overseeing the investment strategy of the CHS Funds. While Mr. Hennessy is not directly supervised by any one individual, the Management Committee is responsible for guiding the overall activities of CHS Capital, including the supervision of investment professionals such as Mr. Hennessy.

## **Brian P. Simmons**

### *Educational Background and Business Experience*

Mr. Simmons, born April 24, 1960, was a founder of CHS Capital in 1988. He holds an A.B. from Cornell University. Mr. Simmons serves on the Board of Directors of LVI Parent Corporation. Mr. Simmons also serves on the Board of Directors of the Chicago Public Education Fund, is a Senior Trustee of The Latin School of Chicago, is a director of Deerfield Academy, is a Life Trustee of the Lincoln Park Zoo, and is on the board of the U.S. Ski and Snowboard Foundation.

### *Disciplinary History*

There are no legal or disciplinary events to disclose with respect to Mr. Simmons.

### *Other Business Activities*

Outside of his roles with CHS Capital and its Affiliated Adviser Shorehill Capital LLC, the only investment-related business in which Mr. Simmons is engaged is the operation and management of certain family investment entities. Potential conflicts of interest raised by the non-CHS business activities of CHS personnel are addressed by CHS's investment allocations policy.

### *Additional Compensation*

Outside of his roles with CHS Capital and its Affiliated Adviser Shorehill Capital LLC, Mr. Simmons receives nominal director fees in connection with his operation and management of certain family investment entities.

### *Supervision*

Mr. Simmons is part of the Management Committee, which is responsible for implementing and overseeing the investment strategy of the CHS Funds. He is not directly supervised by any one individual, and is the Managing Partner of CHS Capital.